

## Message Text

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E.O. 11652: GDS, 12/31/79

TAGS: ENRG, NATO PFOR

SUBJECT: ECONOMIC COMMITTEE: REPORT ON WORLD OIL CRISIS AND  
THE ALLIANCE

REF: A) USNATO 5639

B) STATE 247765

BEGIN SUMMARY:

1. ECONOMIC DIRECTORATE HAS JUST DISTRIBUTED DRAFT  
REPORT ON THE WORLD OIL CRISIS AND THE ALLIANCE  
(AC/127-WP/373), FOR CONSIDERATION BY THE ECONOMIC  
COMMITTEE AND TRANSMITTAL TO THE COUNCIL. THIS MESSAGE  
PROVIDES MISSION SUGGESTIONS AND REQUESTS GUIDANCE. END SUMMARY

2. MISSION BELIEVES THAT DRAFT REPORT GENERALLY  
SATISFIES COUNCIL MANDATE C-M(73)108 AND CORRIGERDUM,  
AND WITH MODIFICATION CAN SERVE AS USEFUL BASIS FOR  
COUNCIL DISCUSSION OF OIL CRISIS AND THE ALLIANCE.  
THE DRAFT REPORT EMPHASIZES THE NEED FOR ALLIED SOLIDARITY  
(E.G. PARA 88) AND THE IMPORTANCE OF AVOIDING MEMBER  
STATE ACTIONS CONTRARY TO ARTICLE 2 OF THE NORTH ATLANTIC  
TREATY, WHICH CALLS FOR ECONOMIC COLLABORATION AMONG  
MEMBER STATES (PARA 101). DRAFT REPORT THUS SUPPORTS SECRETARY'S  
PROPOSAL FOR ENERGY ACTION GROUP TO PREPARE COLLABORATIVE  
WORK PROGRAMS.

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2. WE BELIEVE DRAFT NEEDS A SUMMARY TO PROVIDE CONCISE FOCUS  
FOR COUNCIL DISCUSSION. IF DEPARTMENT WISHES US TO PRO-  
POSE THIS IN ECONOMIC COMMITTEE, WE WOULD APPRECIATE  
GUIDANCE AS TO POINTS US WANTS HIGHLIGHTED IN SUMMARY.

3. DRAFT REPORT'S TREATMENT OF PRODUCER-CONSUMER COOPERATION (PARA 3, 10, AND 11) IS SOMEWHAT VAGUE AND SEEMS TO FORESEE VIRTUAL EXCLUSION OF INTERNATIONAL OIL COMPANIES. PRODUCER-CONSUMER COOPERATION IS OF COURSE A CENTRAL OBJECTIVE OF PROPOSED ENERGY ACTION GROUP. DEPARTMENT MAY WISH TO MAKE THE POINT HERE THAT COLLABORATION AMONG NATO NATIONS AND IN FACT ALL INDUSTRIAL NATIONS IS PARTICULARLY IMPORTANT IN PRODUCER-CONSUMER RELATIONS, HRETATE 247765.

4. DRAFT REPORT, AFTER DISCUSSION OF ECONOMIC PROBLEMS ARISING FROM ENERGY CRISIS, STATES AS A CONCLUSION: "THESE UPHEAVALS, BY COMPLICATING SOCIAL AND ECONOMIC PROBLEMS, WILL, IN ALL PROBABILITY, ENTAIL A REDUCTION IN THE RESOURCES AVAILABLE FOR DEFENSE AND MAKE IT IMPOSSIBLE FOR SOME COUNTRIES TO MEET THEIR COMMITMENTS, PARTICULARLY WITH REGARD TO BURDENSARING." (PARA 100). WE BELIEVE THAT THIS PARAGRAPH SHOULD BE REPLACED BY SOMETHING ALONG THE FOLLOWING LINES: "THE WORSENER ECONOMIC OUTLOOK CASUSED BY THE ENERGY CRISIS MAY CREATE PRESSURES IN ALLIED COUNTRIES TO DIVERT RESOURCES PRESENTLY AVAILABLE FOR DEFENSE. HOWEVER, THE ALLIES RECOGNIZE, AS STATED MOST RECENTLY IN THE MINISTERIAL COMMUNIQUE OF DECEMBER 11, THE IMPORTANCE FOR THE ALLIANCE OF MAINTAINING TO THE FULL ITS DEFENSIVE AND DETERRENT MILITARY CAPACITY."

5. DRAFT REPORT GIVES ONLY BRIEF TREATMENT TO DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES (PARA 104). US MAY WISH MORE EXTENSIVE DISCUSSION OF THIS SUBJECT WITH EMPHASIS ON POSSIBLE COLLABORATION.

ACTION REQUESTED: WE WOULD APPRECIATE WASHINGTON GUIDANCE ON AC/127-WP/373 BY JANUARY 11. WE UNDERSTAND ECONOMIC COMMITTEE WILL DISCUSS DRAFT ON JANUARY 17.  
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